

Message Text

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ORIGIN STR-04

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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DRAFTED BY STR:HHENTGES:EBM

APPROVED BY STR:CYEUTTER

STATE:MEYER (EB/ITP/TA)

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R 282158Z AUG 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY PARIS

INFO USDEL MTN GENEVA

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E.O. 11652:GDS

TAGS:ETRD, FR, US

SUBJECT: FRENCH REQUEST ON COGNAC PRICE BREAK

REFTEL: PARIS 21014

1. AMBASSADOR CLAYTON YEUTTER MET ON FRIDAY, AUGUST 22 WITH JEAN BOSSON, COMMERCIAL COUNSELOR OF THE FRENCH EMBASSY AT BOSSON'S REQUEST TO PRESENT FRENCH VIEWS ON THE REVIEW OF THE U.S. PRICE BREAK ON COGNAC IMPORTS. BOSSON SAID THE FRENCH WOULD LIKE TO SEE THE PRICE BREAK RAISED FROM SEVENTEEN DOLLARS TO TWENTY-TWO DOLLARS TO REFLECT INFLATION AND THE DEPRECIATION OF THE DOLLAR WHICH HAD LIMITED OFFICIAL USE

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ERODED THE VALUE OF THE CURRENT LEVEL OF THE PRICE BREAK.

HE ADDED THAT IF THE U.S. DOLLAR CONTINUED TO STRENGTHEN ON THE INTERNATIONAL MARKET A RISE IN THE PRICE BREAK TO TWENTY DOLLARS MIGHT BE SUFFICIENT.

2. ACCORDING TO BOSSON, THE FRENCH VIEW THE ORIGINAL INCREASE IN THE PRICE BREAK AS AN UNDERTAKING IN APPRECIATION FOR FRENCH COOPERATION IN SETTLING THE 24:6 NEGOTIATIONS. (INTERESTINGLY, HE DID NOT TAKE THE COLLIN LINE REPORTED REFTEL THAT THE INCREASE WAS A CONCESSION FOR WHICH THE FRENCH HAD PAID, PRESUMABLY IN THE 24:6 SETTLEMENT.) BOSSON RECOGNIZED THAT THERE WOULD BE A POLITICAL PROBLEM

FOR THE U.S. IN REGARD TO ITS POULTRY PRODUCERS IF THE PRICE BREAK WERE FURTHER INCREASED. HOWEVER, FRANCE WAS ONLY "ONE OF NINE" ON THE POULTRY ISSUE ALTHOUGH THEY WOULD TRY TO BE OF HELP WITHIN THE EC.

3. AMBASSADOR YEUTTER RESPONDED BY NOTING THAT THE U.S. ORIGINALLY RAISED THE PRICE BREAK FROM NINE DOLLARS TO SEVENTEEN AS A STEP TOWARD RESOLVING OUTSTANDING TRADE DISPUTES. THE PRESIDENTIAL PROCLAMATION IMPLEMENTING THE INCREASE MADE THIS QUITE CLEAR, INCLUDING OUR EXPECTATION THAT THE EC MIGHT RESPOND WITH SOME EASING OF THE RESTRICTIONS ON POULTRY. OUR STEP FORWARD HAS NOT EVOKED A SIMILAR POSITIVE RESPONSE FROM THE EC BUT RATHER A TIGHTENING OF RESTRICTIONS ON POULTRY. IT IS HIGHLY UNLIKELY AND POLITICALLY IMPOSSIBLE FOR THE U.S. TO MAKE ANOTHER GESTURE IN THE ABSENCE OF SOME RESPONSE BY THE COMMUNITY.

4. WE APPRECIATE THAT THE POULTRY ISSUE IS IN THE HANDS OF THE EC COMMISSION AND WE WILL, THEREFORE, BE DISCUSSING THIS PROBLEM WITH RABOT WHEN HE IS IN WASHINGTON IN SEPTEMBER. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, IMPORT PRICES, ALCOHOLIC BEVERAGES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE205417
Document Source: CORE
Document Unique ID: 00
Drafter: HHENTGES:EBM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750299-0610
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975088/aaaaagnl.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 PARIS 21014
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 21 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 APR 2003 by CunninFX>; APPROVED <08 OCT 2003 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH REQUEST ON COGNAC PRICE BREAK
TAGS: ETRD, FR, US
To: EC BRUSSELS PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006